



30 June 2017

Sara O'Connor
Economic Regulation Authority
Level 4, Albert Facey House,
469 Wellington Street, Perth WA 6000

Submitted online

Dear Sara,

2016 Report to the Minister on the effectiveness of the Electricity Generation and Retail Corporations Regulatory Scheme – Discussion Paper

Alinta Energy (**Alinta**) welcomes the opportunity to comment on the Economic Regulation Authority's (**ERA's**) Discussion Paper: 2016 Report to the Minister on the Effectiveness of the Electricity Generation and Retail Corporation (**EGRC**) Regulatory Scheme (**the Scheme**).

Alinta understands that the Scheme was implemented as part of the re-merger of Synergy and Verve Energy on 1 January 2014 to ensure a "level playing field" for government and private sector businesses could be maintained in the South West interconnected system (**SWIS**) post - merger. Alinta notes that the Scheme is targeted at giving effect to the Government's stated commitment "...to sustained private sector participation in the electricity sector"¹.

As a private sector participant in the Wholesale Electricity Market (**WEM**), Alinta supports the basis of the Scheme, which aims to provide competitive neutrality to ensure efficient market outcomes occur. Noting this support, Alinta considers that:

- the Scheme cannot remain a static instrument but rather that it must evolve and undergo amendment to remain fit for purpose. Alinta considers that at a minimum the scheme should be amended to include an overall objective and the broader compliance arrangements should be streamlined. This issue is explored in greater detail below; and
- the ERA should satisfy itself that Synergy is able to act, and acts, commercially and efficiently in the sale and purchase of energy, within the constraints imposed upon it by the regulations.

Evolution of the scheme

As noted above, Alinta supports the basis of the Scheme, however it cannot remain a static instrument but rather that it must evolve and undergo amendment to remain fit for purpose.

At a minimum, Alinta is supportive of the ERA's recommendations from previous years that the Scheme should be amended to include a statement of objective in order to provide a proper and

¹ Second Reading Speech for the Electricity Corporations Amendment Bill 2013 in relation to the EGRC Regulatory Scheme.

necessary basis upon which the ERA can better effect its obligation to review the effectiveness of the operation of the Scheme. Alinta considers that the inclusion of an objective in the Scheme would benefit:

- the market, by giving greater confidence that regulatory processes are properly targeted;
- the Government, by creating a higher level of assurance that the Scheme is properly designed to facilitate the Government's requirement of sustainable private sector participation in the electricity market; and
- Synergy itself, by providing clarity around the scope of the review of the Scheme.

In the absence of a stated objective, Alinta notes and broadly supports the ERA's interpretation of the Scheme's objective developed in the 2014 review and maintained in both the 2015 and 2016 reviews.

Further to this, Alinta notes the Scheme requires the Auditor General to undertake annual financial and calendar year audits with each audit dealing with different compliance requirements. There could be a substantial lag between non-compliant behaviour occurring and it being reported and then referred to the ERA for investigation. This is concerning, not only in regard to disclosure of restricted information but also in regard to discriminatory pricing behaviour.

To ensure the effectiveness of the overall compliance regime contained with the Scheme, Alinta supports the ERA in considering whether:

- the Auditor General's audit processes and the ERA's annual review of the effectiveness of the EGRC Regulatory Scheme can be better aligned;
- there are any refinements to the Scheme that can be made to ensure that any responses to any potential non-compliance are immediate; and
- Synergy should be required to self-report material breaches for non-compliance with the Scheme.

Alinta notes that the ERA has requested feedback on whether stakeholders would support the development of an independent, formal complaints process. Despite the fact that the Public Utilities Office has removed the slide pack from its website, which stated that a complaint could be lodged directly with the Minister for Energy or the Public Utilities Offices, Alinta considers that this option is still open to stakeholders. Further, Alinta considers that the ERA has not demonstrated the need for a more formal reporting process. Alinta does not consider that there is a need for the development of an independent, formal complaints process as suggested in the Discussion Paper.

If you would like to discuss this submission please don't hesitate to contact myself on 9486 3009

Yours sincerely

Jacinda Papps
Manager Wholesale Regulation